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DEMAND and PRICE SITUATION

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Approved by the Outlook and Situation Board, August 20, 1956

SUMMARY

Prices received by farmers rose above a year earlier in June and July and are expected to continue above during the remainder of 1956. Crop output this year, according to current indications, will be smaller than in 1955 and a further expansion is in prospect for both domestic demand and foreign takings. Realized net income from farming in the last half of 1956 now appears likely to exceed the low level of a year ago. The year's total also is expected to be up slightly, the first upturn since 1951.

According to August 1 production prospects, the cotton crop will be down 8 percent, the corn crop 3 percent, and the oats and barley crops combined 21 percent. Wheat production is about the same as last year. Soybeans, for which demand has been strong, are expected to be up about a fifth. Output of livestock products may top the record total of 1955, reflecting a big increase for poultry and a smaller gain for dairy products.

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ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1955		1956				
		Year	July	Apr.	May	June	July	
Industrial production <u>1/</u>								
Total.....	1947-49=100	139	139	143	141	141	136	
All manufactures.....	do.	141	141	144	143	142	138	
Durable goods.....	do.	155	155	159	157	157	149	
Nondurable goods.....	do.	126	126	129	128	128	127	
Minerals.....	do.	122	120	130	129	129	122	
Total outlay for new construc- tion <u>2/</u>	Million dollars	42,991	3,598	3,658	3,686	3,678	3,699	
Residential.....	do.	16,595	1,435	1,276	1,257	1,250	1,258	
Total civilian employment <u>3/</u>	Million	63.2	65.0	64.0	65.2	66.5	66.7	
Nonagricultural.....	do.	56.5	57.3	57.6	58.1	58.6	59.0	
Unemployment.....	do.	2.7	2.5	2.6	2.6	2.9	2.8	
Income:								
Nonagricultural payments <u>2/4/</u> #...	Bil. dol.	290.9	294.7	306.8	307.6	309.4		
Production-worker payrolls <u>5/</u> #...	1947-49=100	152.5	150.9	158.2	157.3	157.8	150.9	
Weekly earnings of production- workers in manufacturing <u>5/</u> ...	Dollars	76.52	76.36	78.99	78.40	79.00	78.60	
Durable.....	do.	83.21	82.21	85.49	84.66	85.27	84.46	
Nondurable.....	do.	68.06	68.06	70.17	70.38	70.95	71.13	
Prices:								
Wholesale prices, all com- modities <u>5/</u>	1947-49=100	111	110	114	114	114	114	
Commodities other than farm and food.....	do.	117	116	122	122	122	121	
Farm.....	do.	90	90	88	91	91	90	
Food, processed.....	do.	102	103	100	102	102	102	
Prices received by farmers <u>6/</u> #...	1910-14=100	236	236	235	242	247	244	
Crops.....	do.	237	236	245	252	263	258	
Livestock and products.....	do.	236	236	227	233	232	232	
Prices paid, interest, taxes and wage rates <u>6/</u>	1910-14=100	281	281	284	286	286	287	
Items used in living.....	do.	273	274	274	278	280	282	
Items used in production.....	do.	250	248	248	250	248	248	
Parity ratio.....		84	84	83	85	86	85	
Consumer price index <u>5/</u>	1947-49=100	114	115	115	115	116		
Food.....	do.	111	112	110	111	113		
Government purchases of goods and services <u>2/ 7/</u> #.....	Billion dollars	76.8				78.7		
Federal (less Government sales)...	do.	46.7				46.1		
State and local.....	do.	30.1				32.6		

Annual data for the years 1929, 1932 and 1939-55 appear on page 39 of the April 1956 issue of The Demand and Price Situation.

1/ Federal Reserve Board.

2/ U. S. Department of Commerce.

3/ Bureau of the Census.

4/ Monthly totals seasonally adjusted at annual rates.

5/ U. S. Department of Labor, Bureau of Labor Statistics.

6/ U. S. Department of Agriculture, Agricultural Marketing Service.

7/ Quarterly totals seasonally adjusted at annual rates.

Revised series.

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Continued growth in consumer income is likely, indicating that demand for farm products will be at a high level during the remainder of 1956. Output is recovering rapidly following settlement of the steel dispute, and employment set new records in June and July. Overall economic activity, now at record level, will probably expand further in the third and fourth quarters of this year. Foreign takings of American farm products are also running well ahead of last year. With favorable prospects for the rest of the year, exports for 1956 as a whole will probably reach a record volume.

Prices received by farmers in mid-July averaged 3 percent above a year ago. As this year's crops move to market, grower prices in general are expected to continue well above last year, even though some decline may well occur as marketings reach their peak this fall. Later this year livestock product prices are expected to average above a year earlier due mainly to a smaller volume of hog marketings this fall than last and higher price supports for dairy products. Cash receipts and realized net income in the first half of 1956 were about the same as the corresponding period of 1955. While the volume of farm marketings in the second half of this year may be reduced slightly from the last half of 1955, with higher prices received by farmers, cash receipts for the rest of the year may well exceed those of a year previous. In addition, close to 300 million dollars is being distributed to farmers for participation in the Soil Bank for 1956 and as incentive payments for 1955 clip wool. Production expenses may be slightly higher than in the same period of 1955 reflecting some increase in feed costs, interest and tax payments and in prices of industrial items. Realized net income in the second half of 1956 is expected to be somewhat larger than in the same period of 1955.

Commodity Highlights

Total livestock slaughter and meat output for the rest of 1956 will be less than a year before--the first downturn since 1951. Prices of fed cattle are likely to stay above last year. Hog prices will decline seasonally but probably will be above a year before.

Milk production probably will be substantially greater than a year earlier in the remainder of 1956. Prices to farmers for milk are running above last year and butter is also higher. Cash receipts from milk this year will be around the record of 4.6 billion dollars, compared with 4.2 billion in 1955.

Broiler chick placements declined seasonally in July and held about steady in early August; weekly placements in early August were 3 million below the peak weeks in June but 14 percent above last August.

August 1 crop conditions indicate a record soybean output of 443 million bushels in 1956, nearly a fifth above last year. Cottonseed production is estimated at 7 percent less than 1955.

Market prices of oats and barley increased contraseasonally during July and early August. The smaller crops and higher supports are the major factors influencing prices of these grains. The corn crop on August 1 was estimated at 3.1 billion bushels, about 3 percent below last year.

With the 1956 wheat crop estimated to about equal domestic use and exports, the carryover next July 1 may continue almost unchanged. A substantial reduction is possible in the following year, however, as marketing quotas will continue in effect for the 1957 crop and a considerable acreage of wheat land is likely to be put into the Soil Bank.

Supplies of rice for 1956-57 are again at record levels. A sharp increase in carryover more than offsets the reduction in the crop because of acreage allotments and marketing quotas.

Total deciduous fruit production this year is now expected to be about 4 percent below last year on the basis of improved early August crop conditions. Much of the decrease is due to smaller apple and grape crops.

Production of vegetables for commercial processing is expected to be substantially larger this year than last. Prospective production of late summer and fall potatoes is slightly larger than a year ago. These potatoes will be moving into markets not burdened by large supplies from earlier crops.

The 1956 cotton crop was forecast at 13.4 million running bales as of August 1, 1.1 million bales less than the 1955 crop. The crop is about equal to or slightly less than anticipated domestic use plus exports in the 1956-57 marketing year.

Domestic production of wool this year is not expected to be greatly different from last year. Shorn wool production has been estimated at about 1 percent below last year's clip.

Marketings of this year's flue-cured tobacco crop have been underway in the Southern-most belts since late July. So far, prices have averaged below last season, largely because of the poorer quality of early season marketings. Prices for the entire crop are expected to average at least as high as last year.

THE GENERAL ECONOMIC SITUATION

The year 1956 now appears certain to set a new record for output of goods and services. The increase in economic activity has slowed somewhat from the rapid growth of 1955, but the upward trend is likely to continue through the rest of the year.

Gross national product in the first half of the year reached a rate 6 percent above a year earlier. Purchases of consumer goods expanded by almost 5 percent from a year earlier and business outlays for new plant and equipment were up more than a fourth, to a record rate of almost 35 billion dollars. In the agricultural sector, price strength developed for the first time in several years. Farm income in the first half of 1956 is about the same as a year earlier but up some from the last half of 1955.

Part of the rise in dollar volume of national output of goods and services so far in 1956 is due to price advances. Wholesale prices rose 2.6 percent in the first 6 months of this year, while consumer prices gained 1.3 percent, mainly because of higher food prices. Prices of some industrial products are likely to rise further in coming months, as increased steel prices affect other products.

Consumer Income and Spending

The expansion in economic activity during the past 2 years has produced a steady increase in consumer income. After showing practically no change for about a year, in mid-1954 personal income started an upward movement that has averaged about 6 percent a year. In the first half of this year, when many other economic indicators began to level off, personal income continued to rise at about the same rate. In the quarter ending June 30, disposable income reached an annual rate of 285 billion dollars, up 6 percent from the corresponding period of last year.

Spending Reflects Income Rise

Consumption expenditures also have been rising steadily, but more slowly than income. In the second quarter, these outlays came to 263.7 billion dollars, an increase of nearly 5 percent from a year earlier. Because

of the slower rise in spending, the proportion of disposable income that consumers saved or used to reduce debt rose to 7.4 percent, the highest rate since the first quarter of 1954.

A cutback in consumer purchases of durable goods has been chiefly responsible for the less rapid growth in consumption spending. These outlays, after rising sharply throughout most of 1955, turned down late in the year and are now below the year-ago rate. Reduced auto sales accounted for most of the decline. Purchases of nondurables and services have both continued to expand, as they have for the past several years, at an annual rate of between 5 and 6 billion dollars. The steady growth in expenditures for nondurables and services has more than equalled the reduction in sales of some durables.

Retail Trade Steady In July

Retail sales in July continued at the record level of June, after allowance for seasonal factors and trading day differences. July sales were up 3 percent from a year earlier. In June, a small advance in retail trade resulted from a greater volume of durable goods sales. Increased sales of furniture and appliances, autos, and of lumber, building materials and hardware offset slight declines in the food group, apparel, and general merchandise. Department store sales increased in July to a new record level after allowance for the usual seasonal change. Weekly indexes point to a continuation of the upward movement into August.

Consumer Credit Continues to Rise

Consumers added about 1/2 billion dollars to their net indebtedness during June, bringing total consumer credit outstanding to a record 37.1 billion dollars. A greater-than-seasonal rise in automobile installment credit and in personal loans was primarily responsible. The June increase, however, was considerably smaller than the 0.9 billion dollar rise that occurred in June of last year. Thus far in 1956 consumers have relied less on borrowed funds in expanding their purchases than they did a year ago. Total consumer credit outstanding grew by 2.3 billion dollars in the first 6 months of 1955, compared with an expansion of only 0.9 billion in the same period of this year. Consumer credit outstanding now equals 13 percent of personal income after taxes, about 1 percent more than a year earlier.

Investment Demand

Much of the increase in economic activity over the past several years is connected directly with the growth in business spending on investment goods. Capital formation (exclusive of inventory changes) has advanced steadily for the past 2 1/2 years. By the second quarter of 1956, investment spending

Table 1.--Disposition of disposable personal income,
1953-55 and by quarters 1955 to date

Period	Dispos- able personal income	Less: Personal consumption expenditures				Equals personal saving	Saving as percent of disposable income
		Total	Durable goods	Non- durable goods	Services		
	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Percent
1953	250.2	230.5	29.8	119.1	81.7	19.7	7.9
1954	254.4	236.5	29.4	120.9	86.3	17.9	7.0
1955	270.6	254.0	35.7	126.2	92.1	16.6	6.1
1955:							
1st qtr.	260.6	246.7	34.7	122.5	89.5	13.9	5.3
2nd qtr.	268.5	251.8	35.3	125.3	91.2	16.7	6.2
3rd qtr.	273.8	257.8	37.2	127.6	92.9	15.9	5.8
4th qtr.	278.4	259.5	35.4	129.2	94.9	18.8	6.8
1956:							
1st qtr.	280.2	261.7	34.8	130.5	96.4	18.6	6.6
2nd qtr.	284.9	263.7	33.4	132.3	98.0	21.2	7.4

Department of Commerce.

attained a rate more than a fifth greater than that of early 1954. In the early part of this boom, the impetus came principally from rapidly expanding construction activity, in particular homebuilding. Late in 1955, outlays for residential construction tapered off, but an upsurge in business plant and equipment spending caused total investment to continue upward.

Plant and Equipment
Outlays Still Rising

The expansion in business outlays for plant and equipment evidently has not yet run its course. Reports on businessmen's investment plans indicate that spending in the current quarter will exceed the April-June rate of 34 3/4 billion dollars by 5 or 6 percent. The rise is expected to continue through the last quarter of this year and into 1957. However, it is likely that slower deliveries on certain types of steel, notably structural shapes, may have delayed some construction plans.

Residential Construction Steady

While plant and equipment outlays continue to show great strength, residential construction remains weak. The value of private homebuilding during April-June was down to an annual rate of 15.1 billion dollars, compared with 15.3 billion in the first quarter and 17.2 billion in the peak third quarter of last year. In July, construction held at the 15.1 billion-dollar rate. The number of new homes started since February has been stable at a rate of about 1.1 million units, compared with an average of 1.3 million for 1955.

Inventory Rise Continuing, But Slower

Business inventories grew in the second quarter of 1956 at an annual rate of 3.5 billion dollars, compared with a 4.1 billion dollar rate during January-March. A large part of the second quarter increase represented larger stocks of automobiles and steel. In both industries, the inventory picture has changed considerably since June 30. Successive cutbacks in auto production coupled with some recovery in dealers' sales has brought the stock of unsold 1956-model cars down sharply from the April level of around 900,000. In steel the month-long break in production caused a substantial reduction in users' inventories. As a result, the rate of inventory accumulation in the current quarter is likely to be down sharply from the first half of this year. However, if economic activity continues to rise as now seems probable, some further growth in business inventories may be expected.

Government Demand

Legislation enacted at the session of Congress just ended seems certain to add significantly to government purchases of goods and services in the coming year. Defense spending is scheduled to rise by at least a billion dollars, and expanded outlays are in prospect for many nondefense programs. In addition payments under the soil bank program and greater veterans' benefits will add directly to consumers' incomes.

Outlays by State and local governments are now running at an annual rate of 32.6 billion dollars, about 2.7 billion above a year earlier. Some step up in the rate of spending is in prospect. State and local payrolls have been rising steadily and will probably continue upward. Under the new States-Federal highway program, road construction is expected to rise sharply and will eventually add several billion dollars a year to State and local spending. The growing need for schools and other public facilities will also contribute to continued expansion in State and local outlays.

Industrial Output and EmploymentIndustrial Production Falls in July

With 80-90 percent of the nation's steel capacity shut down during all of July, industrial output fell 5 points to 136 percent of the 1947-49 average, according to the Federal Reserve Board's index of industrial production

(table 2). Besides the decline in steel output, related cuts occurred in production of coke and in coal and ore mining. Activity in most durable good industries other than iron and steel increased somewhat during the month. Auto output advanced from the reduced June rate, but smaller output is scheduled for August because of model changeovers. Production of nondurable goods eased in July, principally because of a slight decline in chemical and petroleum products from the high-level activity of recent months.

Table 2.- Index of industrial production by major industrial groups, 1955 and monthly January 1956 to date, adjusted for seasonal variation

Group	(1947-49=100)							
	1955	1956						
		Jan.	Feb.	Mar.	Apr.	May	June	July 1/
Industrial production	139	143	143	141	143	141	141	136
Total manufactures:	141	145	144	142	144	143	142	138
Durable	155	160	158	156	159	157	157	149
Primary metals	140	148	148	145	145	141	135	72
Fabricated metal products	134	136	134	132	135	130	132	135
Machinery	155	164	162	162	171	168	168	172
Transportation equipment	203	205	202	197	194	187	191	191
Lumber and products	127	128	124	121	122	121	123	123
Nondurable	126	129	130	127	129	128	128	127
Textiles and apparel	109	111	112	107	108	107	106	106
Paper and printing	137	141	140	140	143	142	143	144
Chemical and petroleum products	159	165	166	166	167	169	168	165
Foods, beverages, and tobacco	109	111	112	110	112	110	109	109
Minerals	122	131	131	130	130	129	129	122

1/ Preliminary estimates.

Board of Governors of the Federal Reserve System.

Factory Sales Dip Slightly in June

Manufacturers' sales, after a sharp rise in May, eased fractionally in June to a seasonally adjusted rate of 27.7 billion dollars, 2 percent above June 1955. The drop was concentrated in the soft goods group, down 1 percent

from the May record because of slightly smaller sales in a wide range of industries. Durable goods shipments exceeded the May total by a small margin because of increased deliveries of iron and steel.

The slackening in sales of nondurables, though slight, occasioned a sharp increase in manufacturers' inventories. Factory stocks of nondurables jumped 0.5 billion to 20.9 billion dollars, while those of durables were unchanged. The flow of incoming business declined in both categories. After seasonal adjustment, orders received in June were down to 28.1 billion dollars from 28.9 billion in May. However, new orders were still in excess of sales so that the backlog of unfilled orders again increased.

July Employment Sets New Record

The number of civilian jobholders increased by about 150,000 in July to a record 66,655,000. This was the second consecutive month that employment exceeded the previous high. The total employed was about 1,700,000 more than July of last year. The work stoppage in the steel industry evidently had little effect on employment. A number of layoffs occurred in steel-related industries and a less than seasonal gain came in construction; but these were more than offset by a strong employment situation in trade, finance and services, and in many durable goods manufacturing industries.

Unemployment was practically unchanged from June at 2.8 million, or about 4 percent of the labor force. A reduction in unemployment among teenagers was offset by a rise in the number of jobless in mining and other steel-serving industries. The direct effect of the steel dispute on unemployment was minor, as workers on strike are not regarded as unemployed unless they seek other jobs.

Hours of Work Unchanged

The average workweek in manufacturing remained unchanged between June and July at 40.1 hours. This is in contrast to the decline that usually occurs at this time of year. After seasonal adjustment, the principal increases in weekly hours occurred in lumber and leather, while foods and textiles registered declines.

Fewer Workers On Farms

Farm employment was down sharply in July, according to the Agricultural Marketing Service. Only 8,680,000 persons were employed in agriculture in mid-July, compared with 8,958,000 a month earlier. The drop occurred in the number of hired workers, down 7 percent after seasonal allowances. The number of family workers also declined, but the change was about usual for this time of year. Compared with a year earlier, family workers were down about 5 percent while there were around 7 percent fewer hired workers.

COMMODITY PRICES

Consumer Prices At Record High

The index of consumer prices advanced eight-tenths of a point in June to an all-time high of 116.2 (1947-49=100). This was the sharpest monthly increase in more than 5 years. The advance was caused primarily by a more than seasonal rise in food prices. The food component of the index rose 2 percent in June to 113.2, 1.7 percent higher than a year earlier but still 2.9 percent below the August 1952 peak. Compared with May, fruits and vegetables at retail averaged 8 percent higher and meats, poultry and fish were up almost 3 percent. In addition, consumers paid higher prices in June for housing, and medical and personal care, while costs of transportation and reading and recreation items declined.

Wholesale Prices Slightly Lower

Seasonally lower farm product prices were primarily responsible for an easing in the wholesale price index during July. This was the second successive monthly decline and brought the index to 114.0 (1947-49=100), four-tenths of a point below the May peak but 3 percent above last July. Among the price changes for commodities other than farm and foods, were declines in metals and in wood products. Partially offsetting advances occurred in rubber, paper, and in fuel, power and lighting materials.

Farm Prices Down Slightly in July

After rising steadily since last December, prices received by farmers dropped 1 percent during the month ended July 15 to 244 percent of the 1910-14 average. The index was still 10 percent above the December low and more than 3 percent above July 1955. The drop was caused partly by price declines of 15 percent in fruit and 8 percent in commercial vegetables from the very high levels of mid-June. Prices for all species of meat animals also moved down during the four-week period. The Parity Index (Prices Paid for Commodities, Interest, Taxes and Wage Rates) rose slightly between mid-June and mid-July because of higher prices for family living items. As a result the Parity Ratio (the ratio of prices received to prices paid) declined 1 point to 85 for mid-July. This was the first downturn in the ratio since November 1955. The ratio was 84 in July 1955 and 80 in January 1956.

Central Market Prices Show Mixed Trends

Central market prices of major farm commodities showed mixed movements in the latter half of July and early August. Wheat, No. 2 Hard Winter at Kansas City gained steadily from mid-July, and was up almost 6 percent by early August. Corn and oats were down slightly, while barley prices showed small gains. Soybeans continued to decline and potato prices receded about a fourth from their high July level. Hog prices at Chicago strengthened slightly and slaughter steers were up substantially, while North Georgia broilers declined about 12 percent.

Table 3.--Consumer price index, specified months 1955
and 1956 with percentage change

(1947-49=100)							
Item	1956			June 1955	Percentage change June 1956		
	April	May	June		April	May	June
	1956	1956	1956		1956	1956	1955
All items	114.9	115.4	116.2	114.4	1.1	.7	1.6
Food	109.6	111.0	113.2	111.3	3.3	2.0	1.7
Housing (total) <u>1/</u>	120.8	120.9	121.4	119.7	.5	.4	1.4
Apparel	104.8	104.8	104.8	103.2	0	0	1.6
Transportation	126.4	127.1	126.8	125.8	.3	-.2	.8
Medical care	131.6	131.9	132.0	127.6	.3	.1	3.4
Personal care	119.5	119.6	119.9	114.7	.3	.3	4.5
Reading and recreation	108.2	108.2	107.6	106.2	-.6	-.6	1.3
Other goods and services	121.4	121.5	121.8	119.9	.3	.2	1.6

1/ Includes, in addition to rent, homeowner costs, utilities, housefurnishings, etc.

Department of Labor.

Foreign Demand

Agricultural exports during the first half of this calendar year, totaled 1,858 million dollars or 19 percent over the first half of 1955. Exports other than cotton increased more than 30 percent. Approximately 40 percent of January-June exports moved under Public Law 480, the Mutual Security Act and Export-Import Bank loans, with PL 480 programs accounting for nearly 30 percent. 1/

A continued high level of exports appears probable during the remainder of 1956. If the increase in July-December over a year earlier is as great as in January-June for commodities other than cotton, and cotton exports total as much as 2 million bales, exports for the calendar year 1956 will reach the record level of \$4 billion. In terms of volume, a new record is in prospect.

Exports during the fiscal year just ended totaled 3,493 million dollars, 11 percent over the previous year. For commodities other than cotton the increase was 27 percent in value and 30 percent in quantity. The overall increase in exports made possible sizable movements from CCC stocks of grains, dairy products and other commodities. (Table 4)

1/ Estimated as follows (in million dollars): Public Law 480 Total (515) made up of Title I (225) Title II (72), Title III donations (111), Barter (107); dollar aid and foreign currency sales under MSA (180); Export-Import Bank disbursements (55)--or a total of 750 million dollars.

Commodity	Unit	Domestic		Foreign		Total $\frac{1}{2}$	
		1954-55	1955-56	1954-55	1955-56		
Cotton	1,000 bales	80	190	62	3,500	142	3,690
Cotton linters	1,000 bales	---	947	---	---	---	947
Wool	Mil. lb.	8	42	1	---	9	42
Wheat	Mil. bu.	23	14	241	303	264	317
Rice, milled basis	Mil. cwt.	1	3	---	11	1	14
Coarse grains $\frac{3}{4}$	Mil. tons	4.5	2.8	3.9	7.0	8.3	9.9
Soybeans and Cottonseed oil $\frac{4}{4}$	Mil. lb.	154	121	853	126	1,007	246
Flaxseed and linseed oil $\frac{4}{4}$	Mil. lb.	58	47	281	107	339	143
Tung oil	Mil. lb.	8	27	---	---	8	27
Peanuts $\frac{4}{4}$	Mil. lb.	5	46	---	---	5	46
Dairy products	Mil. lb.	671	289	814	939	1,485	1,228

2/ Most of the cotton committed for export during 1955-56 is for export after August 1, 1956. Reduction in foreign disposition of oils and dairy products reflected reduced CCC stocks.

4/ In terms of oil. Most sales, except of peanuts, were in the form of oil.

During 1955 foreign production of wheat and rye increased 11 million short tons over the previous year; corn, barley and oats rose 15 million tons, and rough rice 12 million tons. However, more than half of the increase in total grain production was in the communist bloc where per capita supplies are still well below prewar. The severe winter and dry spring in Britain and Western Europe will help maintain the volume of U. S. wheat exports. Some firming of export prices is already evident, and the new program whereby U. S. wheat exports generally will be made from commercial rather than CCC stocks may also tend to raise the value of wheat shipments. Sizable shipments by Canada to the Soviet bloc will tend to reduce free world surpluses. Furthermore, with continued emphasis on increasing livestock numbers abroad and increased consumption of livestock products in most developed countries, a continued strong market for feed grains is in prospect. Close to 100 million bushels of wheat, 1 million tons of coarse grains, and 8 million bags of rice may be moving out under foreign currency sales during the remainder of 1956 (table 5). In addition, a substantial portion of the 200 million dollars outstanding under barter contracts may involve export of grains.

Foreign production of fats and oils has increased steadily since the end of the war. By 1954, foreign output (including butter) was 3.9 million short tons (22 percent) above 1945-49. In 1955, production in free world foreign countries declined some 300,000 tons, largely due to a poor olive crop, but this was more than offset by sizable increases in oilseed production in the Soviet bloc. While the Chinese appear to be pushing soybean exports as a means of financing imports of capital goods, the rest of the Soviet bloc remains a net importer of fats and oils. Record consumption level abroad and relatively favorable U. S. prices indicate a continued high foreign demand for U. S. fats and oils, at least through early 1957. About 400 million pounds of fats and oils sold under PL 480 and authorized under the Mutual Security Act may be moving out during the remainder of 1956. For the marketing year beginning October 1, 1956, however, foreign demand is expected to be somewhat below the current year as a result of increases in free world foreign supplies of olives, flaxseed and sunflower seed.

Commodity Credit Corporation sales of cotton for export after August 1 total 3.3 million bales. How much of this will move abroad by the end of the year cannot be predicted since this cotton, or an equivalent quantity, can be shipped out any time before August 15, 1957. Nevertheless the outlook for cotton exports during the next six months continues to be firm. In 1955, foreign production did not increase, for the first time since the end of the war. The Soviet Union, which is the second largest world producer, harvested probably a half million bales less than in 1954; on a net basis, the Soviet bloc imported about 0.6 million bales in 1955. Stocks in free world foreign countries on August 1 were estimated by the International Cotton Advisory Committee at close to 2 million bales under a year ago, a particularly low level in face of an apparent rise in consumer demand. Under PL 480 sales agreements through June 1956, an estimated 1.2 million bales remained for shipment; of this amount about 800,000 bales are scheduled for delivery by the end of 1956. During the same period another 500,000 bales may be exported under the Mutual Security Act and Export-Import Bank loan commitments. Exports under barter may also prove substantial, since 171,000 bales were committed for export during July alone.

Table 5.- Estimated shipments remaining under Title I, PL 480, and the Mutual Security Act as of June 30, 1956

Commodity	Unit of quantity	PL 480 Title I				Mutual Security Act	
		Agreements signed 1/		Reported shipments 1/2/	Remaining for shipment 3/	Estimated quantity	Purchase authorizations for delivery before December 31, 1956 4/
		Estimated quantity	Market value				
	Million		Million dollars	Quantity	Estimated quantity	Estimated quantity	Million dollars
Wheat and flour	Bu.	158.2	268.2	115.0	44.1	46.0	89.0
Coarse grains	Tons	1.5	70.7	.7	.8	.5	22.3
Rice, milled	Cwt.	10.3	66.7	2.6	7.7	---	---
Cotton	Bales	1.7	260.5	.5	1.2	.5	67.3
Tobacco	Lb.	123.5	81.2	74.1	49.4	---	.7
Edible fats and oils	Lb.	979.3)	---	595.1	384.2	84.0	11.9
Tallow	Lb.	35.8)	157.2	10.4	25.4	32.0	2.6
Linseed oil	Lb.	8.8)	---	3.2	5.6	1.0	.2
Evaporated and condensed milk	Lb.	23.5)	19.9	5.5	18.0	---	20.3
Other dairy products	Lb.	66.7)	---	20.2	46.5	---	.8
Poultry	Lb.	3.0)	1.2	.2	2.8	---	.2
Meat and products	Lb.	75.8	22.7	4.5	71.3	---	.3
Hides and skins	Lb.	---	---	---	---	---	3.7
Fruits and products	Lb.	15.3	1.7	---	15.3	---	6.6
Total including other			955.0	550.0	455.0		5/263.0

1/ Through June 30, 1956. Additional agreements announced through August 15, 1956 provide for the sale of commodities valued at 71 million dollars including 10 million bushels of wheat, 55,000 tons of coarse grains, 2.8 million bags of rice, 88,000 bales of cotton, 70 million pounds of edible fats and oils, 10 million pounds of tallow, and 5 million pounds of tobacco. 2/ Based on copies of shipping documents received by USDA from exporters under the program. Some additional shipments remain to be reported. 3/ Quantities agreed on but not authorized for shipment by July 31 include 750,000 tons of coarse grains, 450,000 bales of cotton, 15 million pounds of tobacco, 15 million pounds of dairy products, and 32 million pounds of meats and meat products. 4/ PA's with terminal delivery dates of July 1-December 31, 1956; in case of most commodities--except cotton--substantial shipments may have been made before July 1, 1956. On the other hand, authorizations have been issued for \$19 million (including \$15 million for fruit to UK) with terminal delivery dates of January-June 1957, shipments against which may be made during 1956. 5/ Include \$24 million for sugar probably to be procured outside the United States.

In 1955, foreign tobacco production increased about 100 million pounds over 1954, but nearly all of the increase occurred in Communist China which had had a small crop the previous year. Excluding China, foreign production of flue cured tobacco---the major U. S. export type---remained relatively unchanged since 1954. United States exports during the second half of 1956 will probably be somewhat below the previous year, as near-record exports during fiscal year 1955-56 generally increased the low stock position of importing countries. With stocks in many importing countries closer to normal levels, preferential trading arrangements may militate against U. S. exports. Some competition may also be encountered from Chinese exports (of about 100 million pounds), which up to now have gone largely to the Soviet bloc. However, exports under PL 480, credited with a large part of the increase in U. S. exports during 1955-56, will be substantial during the remainder of 1956.

Sales for foreign currencies also are helping to meet the increased foreign demand for livestock products and fruits generated by the higher income levels. In addition, U. S. donations of dairy products for foreign relief through private voluntary agencies and the United Nations Children's Emergency Fund are currently running at a rate of 750 million pounds a year.

FARM INCOME

Farmers' receipts from marketings in the first 7 months totaled 14.3 billion dollars, slightly above the corresponding period of last year. A decline of 3 percent in average prices was slightly more than offset by an increase in the volume of marketings. Receipts from livestock and products of 8.9 billion dollars were about the same as in 1955. Lower average hog and cattle prices held down receipts from meat animals, which were offset by increases from milk and eggs resulting from both higher prices and larger marketings. Crop receipts of 5.4 billion dollars showed a slight increase for the seven-month period. Larger receipts from vegetables because of higher prices for truck crops and potatoes were partially offset by smaller receipts for wheat and soybeans.

Total cash receipts in July were about 2.2 billion dollars, up slightly from a year ago because of higher prices. Receipts from livestock and products were 1.2 billion dollars, up a little from July 1955 because of larger receipts from milk. Crop receipts were about 1 billion dollars, close to last year.

LIVESTOCK AND MEAT

Prices of fed cattle have climbed above last year's prices, prices of lambs also are higher, and prices of hogs have reached their level of last year. Feeder cattle prices advanced in July but remain a little below a year ago.

This improvement in prices relative to last year reflects a reduction in the huge fed beef supplies of past months. Because of a reduction in fed beef and pork, total livestock slaughter and meat output for the rest of 1956 will be less than a year before. The downturn is the first since 1951. Meat production expanded more than 25 percent during the 5-year period.

The chief reduction this fall from last year will be in slaughter of hogs. Following an 8 percent cut in the number of spring pigs saved, slaughter will increase less rapidly than last fall and will drop progressively further below last year's slaughter rate.

Slaughter of cattle is expected to continue above last year. However, average weights will be lighter and production of beef may be no greater than last fall. Fewer fed cattle may be slaughtered, as indicated by the 10 percent fewer on feed this July 1 than last, but slaughter of grass cattle will be larger. Calf slaughter in months to come may exceed a year before, but sheep and lamb slaughter may drop below.

Prices of fed cattle are likely to stay above last year. Feeder cattle prices, while expected to decline about seasonally, may gradually close the gap with last year. Prices of hogs will decline seasonally but probably will be above a year before. They are not expected to drop as low as they did last December. Lamb prices may continue to average as high or higher than last year.

Even though the letup in total slaughter and meat supply is appreciable and allows some recovery in prices, it is not of marked proportion. Meat output this fall will remain larger than in any year before 1955. Moreover, capacity for future production is not reduced, as feed crops this fall promise to be almost as large as last year's bumper harvests, while basic breeding herds of cattle remain undiminished. Slaughter of cows to date in 1956 has been less than in 1955. And the 1956 calf crop was indicated on July 30 as likely to be slightly larger than the 1955 crop.

Beef steers are moving to slaughter at a faster rate than last year, perhaps fast enough to hold their year-end inventory about unchanged or reduce it slightly. This should prevent beef output as large as that which depressed fed cattle prices early in 1956. However, tonnage of beef will be great enough to result in seasonal price declines next winter from highs of this fall. The opportunities for realizing close to average profits in cattle feeding appear to be brighter than they were a year ago, but unusually large profits are not in prospect.

DAIRY PRODUCTS

With another large feed crop in prospect and the continued increase in fall freshenings, milk flow will probably be substantially greater than a year earlier in the remainder of 1956. It will be at least 127 billion pounds for

the year as a whole compared with 123.5 billion in 1955. Output in the first 7 months of the year totaled 79.0 billion pounds compared with 76.5 billion in the same period of 1955.

Sales of milk in fluid form continue to show significant increases over last year in Federal order markets. All indications point to continued substantial increases in use of fluid skimmed milk. The retail price of whole milk reached a record high in recent months. Consumers' incomes also are at a peak.

In the last several weeks the increase in use of milk in fluid form has almost matched the increase in farm milk production. Output of butter and cheese also have been running a little above a year earlier. Ice cream production has been above a year earlier in every month this year. Private storage stocks of butter are slightly below a year earlier while those for cheese are above a year earlier. The milk equivalent of private storage stocks of all dairy products totaled 5.7 billion pounds on June 30 this year compared with 5.4 billion pounds a year earlier.

The milk equivalent of butter and cheese bought for price support during the period April 1-July 31 was almost exactly equal to last year. However, purchases of nonfat were considerably greater. Stocks of butter owned by CCC are very small. Only a moderate quantity of nonfat dry milk is on hand, but holdings of cheese continue large.

Prices to farmers for milk and butterfat are running above last year. With higher prices and a larger volume of milk marketed, cash receipts from milk will be around the record of 4.6 billion dollars this year compared with 4.2 in 1955.

POULTRY AND EGGS

Many wholesale egg price quotations declined in early August, reversing the upward trend of July. Broiler prices held close to the average that has prevailed so far in 1956, and prices for most live turkeys moved slightly lower. The U. S. average prices received by farmers in mid-July were as follows, with July 1955 prices in parentheses: eggs, 36.5 cents per dozen (35.2); broilers, 21.7 cents per pound (26.5); turkeys, 28.9 cents per pound (29.6).

Reports of hatchery production indicate a somewhat larger laying flock next fall than is suggested by the estimates of young chickens on farms. Hatchery output of replacement type chicks to August 1 was 7 percent more than in the same period last year, in contrast with an estimate of a 2 percent increase in the number of replacement chickens raised. On the basis of even the higher of the two estimates of laying flock replacement, the laying flock next fall would be only slightly larger than in 1955. On August 1 the number of layers on hand was $2\frac{1}{2}$ percent larger than a year earlier, but apparently included a larger than usual proportion of old hens which may be sold before the end of the year.

Boiler chick placements declined seasonally in July and held about steady in August. For the 3 weeks ending August 11 the number of chicks placed in 22 States (about 85 percent of the U. S. total) averaged almost 24 million weekly. This is 3 million below the peak weeks in June, but 14 percent above last August. In June, placements exceeded last year by 20 percent. Chicks placed in late August will become marketable broilers in early November.

The smaller stock of heavy turkeys in storage this year has maintained prices to date for the relatively few heavy turkeys of the 1956 crop which have already reached market weights, but demand was light in early August for light-weight birds. Small breed turkeys and turkey fryers were 27 cents per pound in the Shenandoah Valley of Virginia on August 15 compared with 30 cents a year earlier. Fewer light breed turkeys are being raised in 1956 than in 1955, but the total turkey crop will be larger.

OILSEEDS, FATS AND OILS

Supplies of food fats other than butter in October 1956-September 1957 probably will be about the same as the year before. Beginning stocks will be down but output is likely to be up somewhat. Reduced production of lard and cottonseed oil will be more than offset by record quantities of soybeans for crushing and export. The quantity of these fats, including soybeans available for export in 1956-57 will be about as large as the record 2.7 billion pound total estimated for this year.

Based upon reports as of August 1, cottonseed production is placed at 5,595 thousand tons, 7 percent less than in 1955. Practically all of the decline reflects a reduction in cotton acreage to be harvested as yields are almost the same as last year. Soybean output in 1956 is forecast at a new high of 443 million bushels, 19 percent more than a year ago. Both acreage and yields are considerably higher than in 1955.

Peanut production is estimated at 1,479 million pounds, 5 percent less than a year earlier. A crop of this size will supply about 15 percent more peanuts than are expected to be used for food and on the farm. Most of this excess will be acquired by CCC under the support program.

Flaxseed output this year, 44 million bushels, is about 12 million bushels above probable domestic use. Some of the excess is being exported this summer before large supplies become available from Canada and Argentina.

FEED

Cash market prices of each of the 4 feed grains increased during July, continuing the general rise that began last fall. The mid-July index of prices received by farmers for feed grains was 24 percent higher than the seasonal low of last November and 3 percent above a year earlier. The average

price received by farmers for corn rose from \$1.09 per bushel in November to \$1.43 in July. This was somewhat more than the usual seasonal rise, reflecting a decrease in market supplies of corn outside of the price support program. Corn prices probably will continue firm this summer. Market prices of oats and barley increased contraseasonally during July. In the first half of August the price of oats at midwestern markets was substantially higher than a year earlier, and barley prices were moderately higher. The smaller crops and the higher 1956 price supports are major factors influencing prices of these grains.

Prices of soybean meal and the animal protein feeds declined during July, and in the first half of August they averaged about the same as a year earlier. Prices of most of the other byproduct feeds have strengthened since early July. In July the index of high protein feeds averaged slightly higher than a year earlier.

The total supply of feed grains and concentrates for 1956-57 is now estimated at 191 million tons, 3 percent below the record supply last year. This supply includes a record carryover of 44 million tons of feed grains, 5 million more than last year. The 1956 production of feed grains estimated in August at 120 million tons is slightly above average, but 11 million tons less than the big crop last year. Feeding of wheat, rye and byproduct feeds is expected to continue about the same as in 1955-56. A small decrease in the number of grain consuming animal units is in prospect, so the indicated supply per animal unit is close to last year's record.

Hot, dry weather in the Western Corn Belt reduced prospects for the corn crop 123 million bushels during July. Total production was estimated on August 1 at 3,144 million bushels, nearly 100 million less than the 1955 crop. The carryover on October 1 is expected to total around 1.2 billion bushels, which would give a total supply of over 4.3 billion bushels, a little above the previous record supply of last year. The oats supply, on the other hand, is a sixth smaller than last year and below the 1949-53 average, reflecting a smaller acreage and a lower yield than in 1955. Barley supplies are estimated to be about a tenth smaller than last year, and a substantial reduction in sorghum grains also is in prospect.

WHEAT

The 1955-56 marketing year was the first since 1952-53 in which the carryover of wheat did not increase substantially. The carryover of 1,030 million bushels on July 1 was only 4 million bushels above a year earlier. With the 1956 crop estimated to be about equal to expected domestic use and exports, stocks next July 1 may continue about unchanged. A substantial reduction is possible in the following year, since marketing quotas will continue in effect for the 1957 crop and a goal of 12 to 15 million acres of wheat land has been set for the Soil Bank.

The supply of wheat for the 1956-57 marketing year is estimated at 1,974 million bushels, a new all-time record. This year's supply includes the July 1 carryover of 1,030 million bushels, a crop estimated as of August 1 at 939 million and imports of about 5 million. Disappearance slightly above that in 1955-56--about 952 million bushels--would leave a carryover next July 1 about the same as the 1,030 million bushels on July 1 of this year.

If the goal of 12 to 15 million acres out of the 55 million-acre allotment for the 1957 crop under the Soil Bank program is realized, planted acreage would be 40 to 43 million acres. Average yields per seeded acre on such an acreage would result in a crop of around 700 million bushels. Domestic disappearance of wheat for food, feed, seed and industrial use is estimated at about 610 million bushels. Assuming that exports will be the same as the 341 million bushels estimated for 1955-56, total disappearance would exceed a 700 million-bushel crop by about 250 million bushels.

Provisions of the 1957 Acreage Reserve program applying to winter wheat seeded this fall were announced on August 13. All farmers having acreage allotments for wheat (except for "new farm" allotments) may participate by signing agreements with their ASC County Committee to reduce their 1957 acreages below their farm allotment. Farmers entering land in the 1957 program will be offered incentives in future programs to designate the same land.

Funds will be allocated on the basis of acreage allotments with some weight given to the relationship of supplies by classes. Since total funds which can be placed in the acreage reserve are allocated county by county, contracts will be accepted on a first-come-first-served basis. Unused funds will be redistributed.

Payments to individual farmers will be based on "normal" crop yield of the land placed in the reserve, the Acreage Reserve county rate per bushel for wheat, and the number of acres placed in the Reserve. The 1957 Acreage Reserve rate for wheat was announced on July 6 at a national average of \$1.20 per bushel. Farmers entering wheat land in the Reserve have to comply with other acreage allotments on their farms to remain eligible for Acreage Reserve payments.

Cash wheat prices generally advanced following the announcement on July 13, effective September 4 that exports will be drawn primarily from free market supplies rather than from CCC stocks. The bulk of the wheat exports came from CCC stocks in 1955-56. An exception to the general advance in prices was that of spring wheat, which declines seasonally later than winter wheat, because of the later harvest. In mid-July wheat prices to farmers averaged \$1.90, which compares with \$1.93 a month earlier, \$2.00 in mid-May, \$1.97 in July 1955, and the 1956-crop announced loan rate of \$2.00.

RICE

Supplies of rice for 1956-57 are estimated at 85.6 million cwt., an all-time record high. A sharp increase in carryover much more than offsets the reduction in production resulting from acreage allotments and marketing quotas. Domestic disappearance (including U. S. territories) in 1956-57 is estimated at 28.6 million cwt. and exports may total about 27.0 million, a part of which was sold but not exported in 1955-56. Average prices received by farmers for the 1956 crop may not differ greatly from the \$4.66 per cwt. average in 1955-56. While the loan rate for the 1956 crop is \$4.57, slightly below the \$4.66 a year ago, the crop, estimated at 46.5 million cwt., is 13 percent below 1955.

FRUIT

Supplies of many fresh market fruits are expected to be somewhat smaller during late summer and early fall than a year earlier. With rising income payments, consumer demand for fruit should continue strong. Movement of the record 1955 pack of canned fruits has been good. Although carryover stocks are generally larger than a year ago, processor demand for fruit is strong this summer. Prices received by growers for several fruits for canning are considerably higher than last year. An exception is California clingstone peaches, of which this year's tonnage is up 10 percent.

Growing conditions for deciduous fruits were generally favorable during July and early August, improving the prospects for several fruits. Total deciduous production now is expected to be 4 percent under that of 1955. Much of this decrease is due to heavy reductions in apples and grapes. Production of apricots, sweet and sour cherries, and Pacific Northwest prunes also is much smaller. On the other hand, the pear crop is a little larger and the peach, strawberry, and California plum and dried prune crops are much larger. With increases in almonds and pecans, prospective production of tree nuts is 7 percent larger than in 1955.

Supplies of fresh citrus fruits, mostly from California, will continue seasonally light until early fall, when new crop fruit from Florida, Texas, and other States will become available. Remaining supplies of California Valencia oranges and lemons from the 1955-56 crops are a little smaller than a year ago, while those of grapefruit are much the same. Supplies of Florida canned citrus sections and juices also are smaller, but those of frozen orange concentrate are larger. Stocks of frozen concentrate for lemonade are slightly smaller than a year ago. Retail prices of frozen orange concentrate were a little higher during last spring than a year earlier, while those of frozen concentrate for lemonade were a little lower.

Prospective production of dried fruits is larger than the output in 1955. A heavy increase in dried prunes and some increase in raisins is expected. But the total pack of canned fruits probably will be somewhat under the record 1955 pack. Although lighter packs are expected of most items, the pack of canned peaches is expected to be larger. Output of frozen deciduous fruits and berries (excluding juices) may not equal the record in 1955. However, another large pack of strawberries is expected. Cold-storage stocks of frozen deciduous fruits and berries on August 1, 1956 were 15 percent larger than a year earlier.

COMMERCIAL VEGETABLES

For Fresh Market

Harvest of many late spring and early summer vegetables was delayed by adverse weather in some important producing areas, and prices were high. In recent weeks supplies of most fresh items have been more plentiful and prices have declined more than seasonally.

Aggregate production of vegetables for fresh market in late summer is expected to be larger this year than last. In addition there is likely to be a somewhat greater overlapping of harvest between early and late summer crops. Among the late summer crops, prospects are for substantially more cabbage, tomatoes and cucumbers than a year earlier, moderately more carrots and slightly more celery, sweet corn, green peppers and onions. A moderately smaller tonnage is indicated for snap beans. Among the crops on which only total summer estimates are available, production of lettuce, cauliflower and spinach promises to be substantially larger than last year and production of eggplant a little larger. Slightly to moderately smaller tonnages are in prospect for lima beans, beets and garlic and a substantially smaller tonnage of green peas is likely.

Consumer demand for fresh vegetables is expected to continue strong. However, with supplies of vegetables seasonally heavy, prices received by growers during the next several weeks are likely to be well below those of June and July.

Fewer cantaloups and watermelons are available for market this summer than a year earlier. Prices received by farmers for cantaloups are expected to average above the low levels of a year earlier. While prices received by growers of watermelons are likely to be above those of last summer, supplies promise to be ample and prices are expected to remain at moderate levels.

For Commercial Processing

Total production of vegetables for commercial processing is expected to be considerably larger this year than last. For the six processing vegetables for which production estimates were available in early August, aggregate

prospective output is up about 30 percent from last year. Two-thirds of the indicated increase in tonnage is in tomatoes alone where prospective production is up a third from that of 1955. Of the other 5 crops, production of winter and spring spinach was 12 percent larger than a year earlier; indicated production of snap beans is up 9 percent from last year, green peas up 16 percent, sweet corn up 31 percent and contract cabbage for kraut up almost 65 percent. These six vegetables usually make up 85 to 90 percent of the total tonnage of the 11 processing crops for which the Department makes official production estimates.

The larger prospective pack of vegetables will be only partly offset by smaller carryover stocks. But if the pack is anywhere near as large as prospective production would indicate, supplies of most major items available for distribution in the 1956-57 season will be at least moderately larger than in the previous season.

POTATOES AND SWEETPOTATOES

During late spring and early summer supplies of potatoes were light and prices high. The mid-July price to growers averaged \$5.19 per hundredweight, much higher than the low price level of a year earlier. Recently, shipments have picked up with increasing harvest of late summer potatoes, and prices have declined sharply from record levels.

Prospective production of late summer potatoes is a little larger than a year ago. However, these potatoes are moving into markets not burdened by large supplies from earlier crops as happened last year. Prices to growers of potatoes for late summer harvest are expected to average substantially higher than the low levels of a year earlier. Early August estimates indicate that production of potatoes for fall harvest is likely to be slightly larger than a year ago and the 1949-54 average.

The 1956 sweetpotato crop promises to be about a fourth smaller than the large 1955 crop and one-fifth below the 1949-54 average. With demand for sweetpotatoes likely to be about the same as a year earlier, prices received by growers in the 1956-57 marketing season are expected to average much above the low levels of the previous season.

COTTON

The 1956 cotton crop was forecast at 13.4 million running bales (13.6 million 500-pound bales) as of August 1. This compares with 14.5 million running bales for the 1955 crop and the average for 1945-54 of 12.9 million bales. Including preliminary Census estimate of carryover and imports, a record supply of about 27.7 million bales is in prospect for 1956-57, 1.7 million more than for 1955-56.

Disappearance of cotton during the 1955-56 season which ended July 31 is estimated to have totaled about 11.4 million running bales. Disappearance in 1956-57 probably will exceed 13 million running bales. Exports in 1956-57 are expected to more than double the 2.2 million bales estimated for 1955-56. Consumption by domestic mills during the 1956-57 season is likely to be close to that of 1955-56, about 9.2 million bales.

On July 27, the Department of Agriculture announced that the 1956 loan rate for Middling 7/8 inch cotton at average location is 29.34 cents per pound. The 1956 rate for Middling 1-inch cotton at average location is 32.74 cents per pound. In the preceding season, these rates were 31.70 and 34.55 cents.

The 1955-56 season average price for Middling 1-inch cotton at the 14 spot markets was 35.45 cents per pound. This compares with the 1955-56 average loan rate for this quality at these markets of 34.80 cents per pound and the 1954-55 season average of 35.02 cents. From August 1 through August 15, this price averaged 32.99 cents per pound and on the latter date was 32.99 cents. The 1956-57 average support price for Middling 1-inch cotton at the 14 spot markets is 33.02 cents per pound. Spot market price quotations have been on the Middling 1-inch basis since August 1.

WOOL

With a strengthening of world demand relative to available supplies, prices of wool began to advance at about the time of the opening of the 1956 domestic wool marketing season in April. At the latest auctions of British Dominion wools in July, prices of merinos were from 10 to 15 percent higher than they were in late March; they ranged from about the same as, to about 5 percent higher, than prices at the final auctions of the 1954-55 season. Prices of crossbreds ranged from about the same as, to about 7 percent above those in late March; but compared with a year earlier, some were down as much as 10 percent.

In general, price advances in domestic markets during the early months of the current marketing season were considerably less than those abroad. Boston quotations for most domestic descriptions early in August were less than 5 percent above those of early April. The mid-month average of prices received by growers for shorn wool advanced less than 3 percent between March and July. So far this season, averages have ranged from 40.3 cents per pound, grease basis, for April, when the average was 6.2 cents below a year earlier, to 41.4 cents for July, when it was 3.5 cents below a year earlier. Trade reports suggest that the bulk of the clip has passed out of growers' hands.

The incentive level for shorn wool for the current marketing season is 62 cents per pound, grease basis, the same as for the 1955 season. Payments are now being made under the 1955 program with the shorn wool payment to the

individual producer equivalent to 44.9 percent of his dollar return from the sale of shorn wool during the 1955 marketing year. The rate of payment is the amount needed to bring the U. S. average return per pound to producers (42.8 cents) up to the incentive level.

Activity in the domestic wool textile industry early this year was at a relatively high rate compared with the last two years. Mill use of apparel wool during the first 6 months of 1956 was almost a tenth above 1955 and almost a fifth above 1954. Consumption during April-June, the first three months of the current marketing season, was about 12 percent above a year earlier. But the rate during June, the third month of the season and the latest for which information is available, was less than 4 percent above a year earlier. Use of carpet wool early this year was up a fifth over 1955 and about a third over 1954.

Imports of both dutiable and duty-free wools early this year were above a year earlier. Imports of dutiable wools during January-June were 8 percent above a year earlier. But during April-June they were about 1 percent lower than a year earlier.

Domestic production of wool this year is not expected to be greatly different from last year. Shorn wool production has been estimated at 232 million pounds, grease basis, probably equivalent to about 102 million pounds, clean, and about 1 percent below last year's clip.

World consumption during the first quarter of 1956 is estimated to have been about 10 percent above a year earlier. The total for last year is now estimated to have been about 3 percent above 1954 consumption. This is slightly above estimated 1954-55 production, but about 3 percent below estimated 1955-56 production. An increase of almost 4 percent in production is now forecast for 1956-57

TOBACCO

Marketings of this year's flue-cured crop have been under way in the southern-most belts since the latter part of July. Thus far, prices have averaged below last season, but the entire crop is expected to average at least as high as last season's level. In the type 14 Belt (Georgia-Florida) where tobacco is marketed untied (in all other Belts, it is tied), the average price through mid-August was 48.6 cents per pound--3 percent above that in the comparable period of last season. However, in the type 13 Belt (South Carolina and border North Carolina), the average price through mid-August was 50.0 cent cents--10 percent below that in the comparable period of a year ago. This was largely a result of the poorer quality tobacco marketed early in the season. Markets in the flue-cured belts farther north will open later this month and during September.

As of August 1, the flue-cured crop was indicated to be 14 percent less than last year's record crop. The 10 percent increase in carryover compared with a year ago largely offsets the reduction in the size of this year's crop so that the total supply for 1956-57 is almost the same as for 1955-56.

Flue-cured is one of the principal cigarette tobaccos and also is exported in large volume. In the year ended June 30, domestic use of flue-cured was nearly 2 percent lower than in 1954-55 and 6 percent below 1953-54. Cigarette output in the year ended June 30 was about 2 percent higher than in 1954-55 and about 1 percent higher than in 1953-54. The decrease in tobacco used despite the gain in the number of cigarettes partly reflects the increasing proportion of filter tips, many of which require less tobacco than nonfilter tips. Also, more cigarettes are being made from a given quantity of farm-sales weight tobacco than formerly as the result of modifications in manufacturing operations, which enables the more complete use of the tobacco leaves including "stems" or midribs.

Exports of flue-cured, the dominant export tobacco, totaled 552 million pounds (farm-sales weight) during the year ended June 30. This was 29 percent larger than in 1954-55 and the second largest on record. Sales for foreign currency contributed substantially to this high level of exports.

The 1955 burley crop as of August 1 was indicated to be slightly larger than last year's harvestings. Burley goes mainly into cigarettes and, as in the case of flue-cured, 1955-56 domestic use is indicated to be a little lower than in each of the preceding 2 years. Exports of burley during the year ended June 30 were a little higher than in 1954-55.

Auction sales for the small 1955 Maryland crop closed on July 27 and the season average price at 50.2 cents per pound was nearly 11 cents above that for the 1954 crop. The August 1 indication was for a 1956 crop substantially higher than last year when harvestings were greatly reduced by storms. Exports of Maryland tobacco in the year ended June 30 were 43 percent higher than in 1954-55 and the largest for many years.

Indications as of August 1 were for a sharply lower production of the cigar binder types, since a sizable proportion of the allotted acreage was placed in the Soil Bank Program, particularly in the Connecticut Valley. The production of fire-cured and dark air-cured tobacco (excluding type 37) is about the same as in 1955, while the 1956 crops of cigar filler and shade-grown cigar wrapper were indicated as being moderately larger than last year's harvestings.

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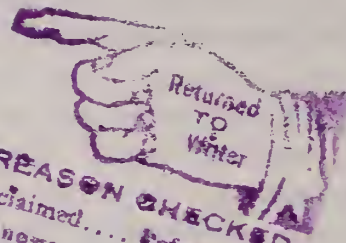
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